

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SS-15 EB-08 L-03 SSO-00 /041 W
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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC IMMEDIATE 9801

C O N F I D E N T I A L SECTION 01 OF 03 MEXICO 06870

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EO 11652: GDS
TAGS: OVIP, MX (VANCE, CYRUS)
SUBJECT: SECRETARY'S VISIT - ECONOMIC WORKING GROUP

REF: STATE 102275

1. SUMMARY. PRELIMINARY EFFORTS GET ANSWERS TO REFTEL REVEAL LACK OF EFFECTIVE COORDINATION ON MEXICAN SIDE AMONG VARIOUS SUBGROUPS OF ECONOMIC WORKING GROUP. WE ARE CHECKING OUT ITEMS WITH INDIVIDUAL MINISTRIES, BUT FORESEE DIFFICULTIES IN ESTABLISHING PRIORITIES. FOREIGN OFFICE IS MAKING AN EFFORT IN THIS REGARD, BUT DOESN'T SEEM OVERLY CONFIDENT OF SUCCESS. ARMENDARIZ GAVE US TENTATIVE RESPONSE. WE SUGGEST USG SIDE MAKE THE PRELIMINARY DECISIONS. END SUMMARY.
2. DEPARTMENT WILL RECALL THAT IN EMBASSY NOTE OF JUNE 14, 1977 WE INFORMED GOM THAT ECONOMIC WORKING GROUP WOULD BE HEADED ON U.S. SIDE BY MR. COOPER (UNDER SECRETARY OF STATE FOR ECONOMIC AFFAIRS) AND MR. HARMAN (UNDER SECRETARY OF COMMERCE). WE UNDERSTAND GOM COUNTERPARTS WERE COMMERCE SECRETARY SOLANA AND PROGRAMMING AND BUDGET SECRETARY TELLO, BOTH OF WHOM ARE NOW OUT OF OFFICE. ARMENDARIZ CONFIRMS THESE VIEWS, BUT
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WARMAN INSISTS THE GOM CHAIRMAN WAS TELLO ALONE. PRE-SUMEDLY THEIR RESPECTIVE SUCCESSORS, DE LA VEGA AND GARCIA SAINZ WOULD INHERIT THESE FUNCTIONS. THERE IS LITTLE REASON TO ASSUME THAT EITHER MINISTER IS FAMILIAR WITH CONSULTATIVE MECHANISM. AT THIS POINT, GOM DOES NOT KNOW WHO WILL HEAD MEXDEL.

3. ON APRIL 24 POL COUNSELOR GAVE FOREIGN RELATIONS UNDER SECRETARY DE OLLOQUI AND ECONOMIC ADVISOR ARMENDARIZ LIST OF TOPICS REFTEL. DE OLLOQUI DICTATED MEMO TO OTHER MINISTRIES ASKING NECESSARY QUESTIONS, BUT OBSERVED GLUMLY THAT TWO WEEKS HAD PASSED SINCE HE HAD SENT OUT THE JOINT DRAFT STATEMENT (SUPPLIED BY EMBASSY) AND STILL HAD NO ANSWERS. (ARMENDARIZ' DETAILED COMMENTS ARE MENTIONED BELOW.)

4. WHEN E/C COUNSELOR SHOWED LIST OF TOPICS TO UNDER SECRETARY HECTOR HERNANDEZ (COMMERCE) MONDAY, APRIL 24, LATTER SAID THAT COMMERCE ITEMS WERE O.K., E.G. TRADE, ACCESS TO U.S. MARKET FOR AGRICULTURAL PRODUCTS AND COFFEE. WE STRESSED SHORTAGE OF TIME FOR MEETING AND NEED FOR PRIORITIES. HE PROMISED TO GET BACK TO US WEDNESDAY WITH COMMENTS ON COMMERCE ITEMS. HERNANDEZ CONFIRMED THAT HIS BOSS, DE LA VEGA, WAS A CO-CHAIRMAN OF THE ECONOMIC GROUP, BUT SHOWED NO INTEREST IN OUR QUESTION ABOUT WHO WAS HELPING COORDINATE SUBGROUPS FOR DE LA VEGA. HERNANDEZ HAD COPY OF PAPER MENTIONED BY DE OLLOQUI WHICH WE HAD SUPPLIED TO FOREIGN RELATIONS TO CONSTITUTE JOINT REPORT OF BILATERAL CONSULTATIVE MECHANISM.

5. SOME ITEMS REFTEL MAY COME UP IN BILATERAL MEETING THIS WEEK OF TREASURY SECRETARY BLUMENTHAL AND HACIENDA
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SECRETARY IBARRA. THIS MAY COMPLICATE SUBSEQUENT DISCUSSIONS BY OTHER LOWER RANKING OFFICIALS IN CONSULTATIVE MECHANISM. EMBASSY FINAT IS IN TOUCH WITH HACIENDA.

6. WE EXPECT NO DIRECT INPUT FROM TOURISM SECRETARIAT WHERE TOP THREE OFFICIALS ARE OUT OF COUNTRY.

7. E/C COUNSELOR MANAGED TO GET THROUGH TO WARMAN, UNDER SECRETARY IN NATIONAL PATRIMONY AND DEVELOPMENT (AND CO-CHAIRMAN ENERGY, INVESTMENTS AND MINERALS SUBGROUP) LATE APRIL 25. HE HAD NOT HEARD YET FROM DE OLLOQUI.

8. FOLLOWING IS SUMMARY OF GOM COMMENTS OBTAINED SO FAR, PLUS EMBASSY OBSERVATIONS ON EACH ITEM:

(A) ENERGY - ARMENDARIZ SAID THIS ONE-WORD AGENDA ITEM WAS NOT EXPLICIT ENOUGH. GIVEN ITS SENSITIVITY, IT MIGHT BE REFERRED TO POLITICAL GROUP, I.E. TWO FOREIGN SECRETARIES FOR DISCUSSION. WARMAN THOUGHT THE OBVIOUS SUBJECT TO DISCUSS IS GAS AND THAT IT SHOULD BE AT

FOREIGN MINISTER LEVEL. HE SAID HE WOULD LIKE TO ADD
"OPTIONS OF ALTERNATIVE ENERGY SOURCES, PARTICULARLY
GEOTHERMAL, SOLAR AND NUCLEAR".
EMBASSY AGREES WITH NEED FOR GREATER DETAIL AND SENSI-
TIVITY. WE THINK TIME IS TOO SHORT TO PERMIT DISCUSSION
ALTERNATIVE ENERGY SOURCES.

(B) RESOURCES FOR MEXICAN DEVELOPMENT (IFI LENDING,
MEXICAN NATIONAL EMPLOYMENT FUND) - ARMENDARIZ SUGGESTEQ

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C O N F I D E N T I A L SECTION 02 OF 03 MEXICO 06870

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THAT "NATIONAL EMPLOYMENT FUND" BE DISCUSSED WITH MEXICAN
STABILIZATION PROGRAM. OTHERWISE HE SAW NO PROBLEMS.

EMBASSY IS CONCERNED OVER WILLINGNESS OF HACIENDA TO
DISCUSS THESE FINANCIAL SUBGROUP ITEMS IN ECONOMIC
WORKING GROUP, PARTICULARLY AS FINANCE SECRETARIES WILL
HAVE MET WEEK EARLIER.

(C) TRADE (MTN) GSP, TEXTILES (TROPICAL PRODUCTS
AGREEMENT) - ARMENDARIZ ASKED WHAT THERE IS TO DISCUSS
UNDER TROPICAL PRODUCTS AGREEMENT. HE OBSERVED MEXICO
WOULD NOT RATIFY UNTIL CONCLUSION OF GENEVA MTN;
THIS IS PART OF "PACKAGE". HE WOULD INCLUDE IN THIS
TOPIC "ACCESS TO U.S. MARKETS FOR MEXICAN AGRICULTURAL
PRODUCTS". HECTOR HERNANDEZ THOUGHT ITEM WAS O.K.
WARMAN WOULD INCLUDE "EXPORT FUTURE OF MEXICAN
MANUFACTURED PRODUCTS".

EMBASSY WOULD GIVE THIS TOPIC HIGH PRIORITY AND NOT FIND
ACCEPTABLE POSTPONEMENT IN RATIFICATION OF TROPICAL
PRODUCTS AGREEMENT.

(D) LEGAL LENDING LIMIT OF U.S. NATIONAL BANKS -
ARMENDARIZ SAW NO PROBLEMS.

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EMBASSY HAS SAME COMMENT AS FOR OTHER FINANCIAL ITEMS.
(E) CIVIL AIR REGULATIONS (RATE ALLOCATIONS, CONCORDE
REQUEST) - ARMENDARIZ SAW NO PROBLEM. TOURIST MINISTRY
OFFICIALS UNAVAILABLE TO COMMENT.

EMBASSY WOULD DROP THIS ITEM IN VIEW OF LACK OF TIME AND
LACK OF SUBSTANCE TO DISCUSS.

(F) TOURISM AGREEMENT - ARMENDARIZ SAW NOTHING TO DISCUSS;
AGREEMENT IS TO BE SIGNED.

EMBASSY AGREES. (HOWEVER, SEE PARA 9 BELOW.)

(G) MEXICAN STABILIZATION PROGRAM - AS NOTED ABOVE,
ARMENDARIZ WOULD INCLUDE DISCUSSIONS OF MEXICAN NATIONAL
EMPLOYMENT FUND. GOM WILL REQUIRE ANY DISCUSSION OF GOM
FINANCES BE MATCHED BY EQUIVALENT DISCUSSION OF RECENT
U.S. ECONOMIC DEVELOPMENTS AND POLICY.

EMBASSY IS REPORTING IN SEPTTEL THAT THERE IS NO SUBSTANCE
TO DISCUSS IN PROPOSAL FOR AN EMPLOYMENT FUND. WE THINK
ALSO THAT IT IS A POOR USE OF TIME TO GIVE PRESENTATION
ON RESPECTIVE ECONOMIC SITUATIONS.

(H) ACCESS TO U.S. MARKET FOR MEXICAN AGRICULTURAL
PRODUCTS - (MOVE UP TO TRADE ITEM.)

(I) NORTH-SOUTH DIALOGUE (COMMON FUND, OVERVIEW, ETC.) -
ARMENDARIZ WOULD ADD TO THIS TOPIC "CODE OF CONDUCT FOR
TNE'S". OR IT MIGHT BE TAKEN OUT AND DISCUSSED WITH
"ILLICIT PAYMENTS" AS GOM INSISTS ON LINKING TWO ITEMS.

EMBASSY DOESN'T KNOW IF ARMENDARIZ HAS CONFUSED CORRUPT
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PRACTICES IN UN AND PROPOSED BILATERAL ILLICIT PAYMENTS
AGREEMENT. GOM MAY INSIST EVEN ON LINKING BILATERAL
DISCUSSIONS TO MULTILATERAL CODE OF CONDUCT.

ON BALANCE, WE SUGGEST GIVING RELATIVELY LOW PRIORITY
IN ECONOMIC WORKING GROUP TO DISCUSSIONS OF NORTH-SOUTH

DIALOGUE. AS FAR AS MEXICO IS CONCERNED, WE MAY GET FURTHER WITH COOPER/ARMENDARIZ INFORMAL CHANNEL.

(J) COFFEE (PRODUCERS' ATTEMPTS TO WITHHOLD SUPPLIES) - ARMENDARIZ THOUGHT THE FORMULATION OF THIS ITEM WAS PREJUDICIAL. PERHAPS IT SHOULD INCLUDE PRICE STABILIZATION MEASURES. HERNANDEZ THOUGHT THIS SHOULD BE A TRADE ITEM.

WE THINK IT SHOULD BE CHOPPED.

(K) BORDER INDUSTRIES - THIS IS SUBJECT SUGGESTED BY WARMAN.

WE DON'T FAVOR ADDING IT TO AGENDA.

(L) ATMOSPHERE FOR FOREIGN INVESTMENT - THIS IS AN EMBASSY SUGGESTION AND INCLUDED BECAUSE OF ROEL'S EXTENSIVE EFFORTS TO LOOK INTO THE MATTER. WE DON'T KNOW IF THE TIME IS RIPE FOR OPEN DISCUSSION.

9. CONCLUSION. IN VIEW OF LIMITED TIME AVAILABLE AND BUREAUCRATIC SENSITIVITIES, WE SUGGEST ECONOMIC GROUP TAKE UP AT LEAST ONE ITEM FROM EACH SUBGROUP, ALLOCATING TIME ACCORDING TO RELATIVE IMPORTANCE. IN ORDER OF PRIORITY THIS COULD RESULT IN DISCUSSION OF:

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C O N F I D E N T I A L SECTION 03 OF 03 MEXICO 06870

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(C) TRADE (ETC.)

(A) ENERGY (IN SOME FORM)

(B) RESOURCES FOR MEXICAN DEVELOPMENT

(F) TOURISM AGREEMENT

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